CANADIAN IMPERIAL
BANK OF COMMERCE

# Annual Report 1978

Sur simple demande, nous nous ferons un plaisir de vous faire parvenir la version française du présent rapport.

CANADIAN IMPERIAL
BANK OF COMMERCE 112TH ANNUAL REPORT

# Highlights of the Year

| For the year | 1978 | 1977 |
|---|---|---|
| Revenues | $ 3,039,474,075 | $ 2,450,448,074 |
| Expenses | $ 2,733,948,736 | $ 2,196,828,019 |
| Balance of revenue | $ 305,525,339 | $ 253,620,055 |
| Income taxes | $ 112,000,000 | $ 103,000,000 |
| Balance of revenue after taxes | $ 193,525,339 | $ 150,620,055 |
| Appropriation for losses | $ 40,000,000 | $ 30,000,000 |
| Balance of profits | $ 153,525,339 | $ 120,620,055 |
| Dividends | $ 53,360,810 | $ 48,776,000 |
| Average number of shares (Note) | 36,322,273 | 34,840,000 |
| **Per share** | | |
| Balance of revenue after taxes | $5.33 | $4.32 |
| Balance of profits | $4.23 | $3.46 |
| Dividends | $1.45 | $1.40 |
| **Year-end** | | |
| Assets | $38,272,350,616 | $31,969,249,133 |
| Deposits | $35,006,712,595 | $29,316,319,931 |
| Accumulated appropriations for losses | $ 356,278,341 | $ 332,311,761 |
| Total capital funds | $ 1,210,466,567 | $ 936,346,049 |
| Shareholders' equity | $ 910,466,567 | $ 711,346,049 |
| Number of shareholders | 31,333 | 29,791 |
| Number of employees | 35,144 | 33,635 |
| Number of branches | 1,832 | 1,823 |

Note: Represents the weighted monthly average of equivalent fully paid shares outstanding.

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## The State of the Economy, Suggestions for National Priorities, and Comments on the Proposed New Bank Act

*(Remarks by Russell E. Harrison, Chairman and Chief Executive Officer, to the Annual General Meeting of Shareholders, December 12, 1978)*

I would like to look first at the general state of the economy; then to examine the role of government and offer some suggestions for national priorities; and finally to comment briefly on national unity and the new Bank Act.

The Bank's balance of revenue has improved considerably. To a large extent this has resulted from persistent effort on the part of Bank personnel to maintain close control over operating costs and to increase or maintain our market shares. A changing interest rate structure in response to rising rates in the United States also helped us to achieve better performance, despite generally sluggish economic conditions and the lack of any marked improvement in the business environment.

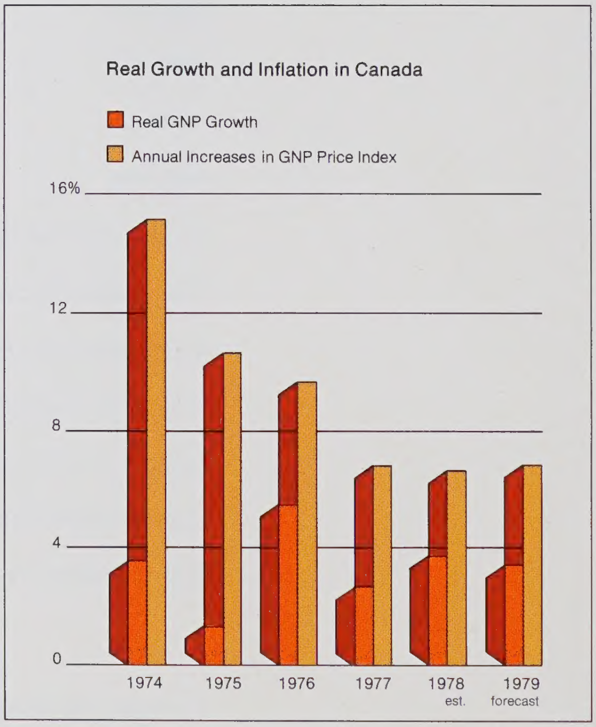
### ECONOMIC OUTLOOK

The coming year is not likely to bring about a substantial change in the state of the economy. Most observers now expect a slowing in the rate of economic expansion in the United States in 1979, and relatively slow growth will also continue to characterize the economies of some of our major overseas trading partners. This will probably result in somewhat slower rates of increase in Canada's total merchandise exports. For this reason, the Canadian economy will have to rely more on domestic rather than foreign demand.

Unfortunately, there is a possibility that interest rate levels in the United States will continue to rise, forcing the Bank of Canada to raise Canadian rates even higher in order to provide support for the Canadian dollar. Such increases tend to depress housing demand and, in some cases, postpone the commencement of major construction or other capital expenditure projects. Certainly, acceleration in business investment spending is likely to remain limited in 1979. With consumer and government expenditures rising fairly slowly, this means that overall output levels will probably average considerably less than full capacity.

The jump in the inflation rate during the past year has raised some serious problems. It is true that a good deal of the increase has been related to food prices and to the impact that depreciation of the exchange rate has had on prices of imported goods. Nevertheless, prices rising at more rapid rates than wages have constrained growth of real incomes and the ability of consumers to spend. Similarly, the slower pace of economic growth that has taken place, due to inflation and anti-inflationary policies, has severely affected the rate of increase in tax revenues. For this reason, the ability of governments to reduce taxation levels has been impaired.

The difficulty of bringing inflation under control is not, of course, peculiar to Canada. Part of the problem has been the widespread practice on the part of political parties in the industrialized democracies of raising expectations of voters through election promises. Such promises are frequently very costly to implement. Not only have they resulted in increased government spending and higher taxes, but they have tended to increase the extent of government



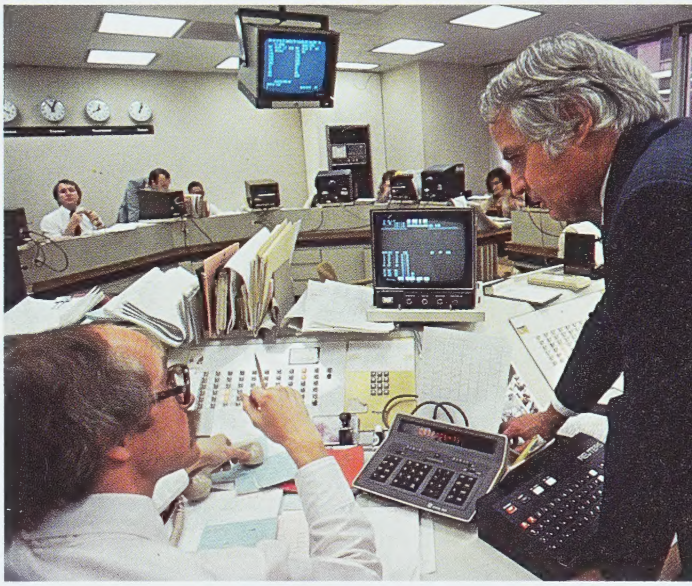
involvement in the economy. That Canada has been part of this process is readily apparent from the fact that total government expenditures, excluding inter-governmental transfers, amount to about 41 per cent of GNP this year, compared with only 30 per cent in 1963.

## PUBLIC SECTOR TOO LARGE

Surely the public sector has reached such a size that the men and women who support it through our tax system should be questioning if further growth is justifiable. In fact, it should be possible to reduce the size of government and, in turn, to soften the tax burden on business and individuals. A substantial move in this direction would not only increase the spending power of Canadian consumers, it would also strengthen the international competitiveness of our producers and enhance their ability to undertake major capital expenditure programs.

One need not look far to see how the burden of government might be lightened. Zero-base budgeting and sunset legislation would help and, perhaps, the spinning-off to the private sector of some crown corporations should be considered. Moreover, the duplication or triplication of services across various levels of government and between public and private agencies could be reduced, with considerable saving to the taxpayer. Also, a move to de-regulate regulated industries would eventually eliminate the need for a substantial number of public service positions.

The impact of social welfare changes on the ability of the economy to grow has too often been ignored in recent years. For example, when unemployment benefits were increased and made more accessible a few years ago, the economic impact was not carefully assessed in advance. Judging by the sharp rise in the unemployment rate which took place at the time, which was one of relative prosperity, the new measures had a significant negative effect on the incentive to work and, more generally, on production and productivity. Now, with the wisdom of hindsight, the government has been gradually moving to limit such benefits to those who really want to work, but cannot find employment.



A centre of activity within the Bank is the foreign exchange trading room. Linked electronically to money market centres around the globe, traders in the room monitor the activity of major foreign currencies, gold and Eurodollar deposits. Al Pipher, Chief Trader (on the right above) is seen consulting with Graham Sweet, Deputy Chief Trader.

While a fair distribution of income must not be ignored by government policy-makers, I believe that the time has come when we can no longer take economic growth and improving living standards for granted. This is especially true, given the increased competitiveness in international trade which is expected to develop as a result of the current round of GATT negotiations and the emergence of new industrial states.

## PROGRAM OF ACTION NEEDED

If, in the new world economic order, we are to succeed in providing higher living standards for Canadians, it is essential that our industries become more efficient and that the proportion of the labour force engaged in productive activity be increased. To help us achieve our common objectives, Canada needs a concerted program of action—a road map for development, if you like. This should be designed to ensure the harmonious growth of our resource, manufacturing and service sectors of our economy to facilitate the substitution of Canadian products

for imported goods, and to open the door for greater exports.

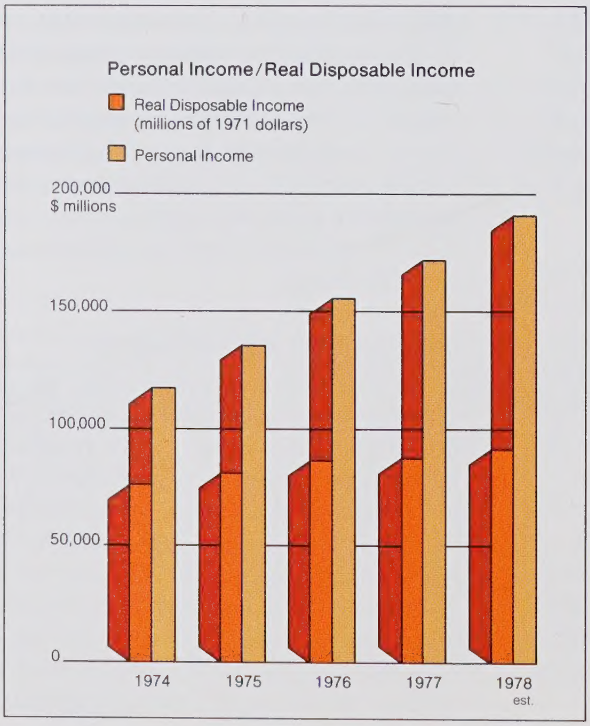
Of course, the marketplace must be allowed to continue as the basic mechanism for allocating our capital, labour and material resources in any comprehensive industrial development scheme. The Economic Council of Canada has indicated that governments can help to generate productivity improvement and to stimulate industrial efficiency by ensuring that public policy provides a positive and consistent environment for the growth and development of the private sector.

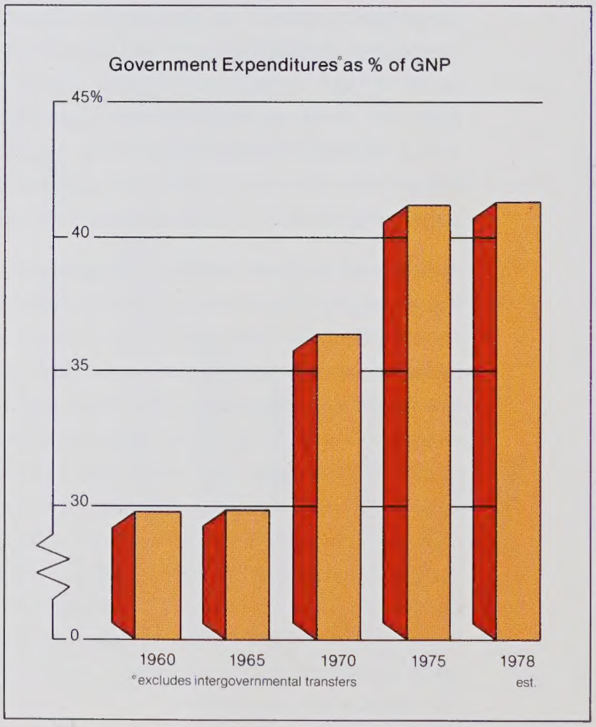
I am encouraged by the Council's apparent concern with, and understanding of, the need to foster and maintain the interplay of market forces. At the same time, I recognize that there have been, and will continue to be, situations where a government presence is essential. Its role can range, for example, from creating regional development programs and assisting particular industries over difficult periods, to participation with the private sector in major resource development.

The need for a national industrial strategy has been underscored by a number of other observers. The fact that the federal government and the governments of the larger provinces have failed to exhibit much initiative in this regard is, perhaps, due to the emergence of the recent problems which involve the very survival of Canada as a political entity and on related matters of constitutional reform. However, I can think of no better way to tie this great country of ours together than by developing and implementing, in a spirit of mutual co-operation and understanding, a national plan for improving the environment for industrial development.

## TASK WILL NOT BE EASY

The task of putting together a workable industrial policy, acceptable to all of the major interests involved, will not be easy because it will require the harmonization of sometimes conflicting objectives



between and among various regions and industries. Moreover, it will demand a great deal of give and take on the part of our government, business and labour leaders. Because of the degree of interaction which will be needed among the key sectors and regions of the economy, a national task force should be assembled at an early date to establish the ground rules and timetable for further discussion. Certainly, the Bank would be ready to participate in such an important initiative.

I am sure that many difficulties must be hammered out before a truly national industrial strategy can be forged. One problem area will be interprovincial conflicts. It will not be easy but within a genuine spirit of co-operation our provincial, regional, and federal representatives should be able to find a number of key issues on which they can agree. With emphasis on the positive factors, and a willingness to reduce unnecessary interprovincial competition where it has or is threatening to become counter-productive, regional differences can be minimized and Canada's diverse resource endowments will come to be recognized as a source of strength rather than weakness.

While there are groups of Canadians committed to the separation of their regions or provinces from the rest of Canada, the economic links which bind East and West have become sufficiently strong over the past 111 years so that they will not be easily disrupted—certainly not by the whims of a few extremists. Recognizing this, the Honourable Jacques Parizeau, Minister of Finance for Quebec, has made it very clear that his government regards the commercial ties between his province and the rest of Canada, and between Quebec and Ontario in particular, as essential to the continued well-being of the Quebec economy.

## SOME COMMENTS ON QUEBEC

May I offer a few personal comments on what has become known as the Quebec issue.

First, I am concerned that the question to be put to the electorate by the Levesque government in the


Commerce Chargex card holders can now use their cards to purchase goods and services at The Bay stores across the country. The Bay is the first major Canadian department store to honour charge cards other than its own.

forthcoming referendum is likely to be so moderate and non-committal that it will cloud the issue of Quebec's status rather than settle it. The continuation of such uncertainty can only help the separatist cause.

Secondly, I believe that French-speaking Canadians have legitimate grievances which must soon be rectified if we are to achieve the necessary new consensus of Canadians within Confederation.

Thirdly, I am convinced that business and industry must create more opportunities for our French-speaking citizens—especially the young and well-qualified—so they become a larger part of the mainstream of Canadian commerce.

While it is obvious that the concept of separatism has an intense emotional appeal for many in Quebec, I am confident that a substantial majority prefers to remain Canadian.

It is difficult to recognize today's turmoil and uncertainty as part of an evolution. But I believe that we are making progress. If we all care enough, are

tolerant enough and work hard enough for a new cohesion within Confederation, Canada can enter the 1980s as a more mature and confident nation with a quickened sense of identity and purpose.

As recent events in Quebec and elsewhere indicate, the social, political and economic environment within which Canadian business operates is constantly changing. For this reason we must remain flexible, striving to anticipate the more important changes before they occur. An example with particular relevance to the banking system is the pending revision to the Bank Act, which will have considerable impact on the evolution of our financial system through the 1980s.

## BANK ACT REVISION

Bill C-15 is now under study by committees in both the House of Commons and the Senate, but the new act is not expected to be in force before the spring of 1979.

Let me outline some of our concerns. The Bill opens the door for foreign bank subsidiaries to be chartered as foreign banks in Canada, provided they meet certain conditions. Among these is the requirement that the home jurisdiction of the parent bank extend meaningful reciprocity. The Bill also lays down limits to the size and growth of these institutions, in aggregate, but it is far from clear how these limits will be administered. Frankly, we would prefer greater certainty as to the conditions of reciprocity and the means for controlling growth.

The Bill also eases and simplifies regulations providing for the establishment of new domestic banks in Canada. We believe this is commendable because it will enable more institutions to become banks and more banks to start up operations. However, we don't believe provincial governments should be allowed to own bank shares because there is a very real risk that political expediency will affect credit judgement, create conflicts of interest, infringe on privacy, and make the management of monetary policy difficult.

Bill C-15 lowers the cash reserve requirements for chartered banks, and this is obviously welcome, but we regret that the government is not extending reserve requirements to trust companies, credit unions and caisses populaires.

The Bill proposes that a new organization called the Canadian Payments Association take over the existing cheque-clearing system, currently operated by the chartered banks. Membership would be mandatory for banks, but voluntary for the "near-banks". We believe that each participant should have equal obligations as well as equal rights. Our main concerns are the need to ensure that each member is financially sound and able to settle his daily clearing obligations to the other banks, and that the present high level of efficiency in the operating of the clearing system is maintained. The proposed legislation has some deficiencies in both these areas and the banks have submitted amending proposals to try to remedy them.

You may have the impression that the Commerce is generally displeased with the proposed changes to the Bank Act. This is not the case. We believe Bill C-15 is a good piece of legislation, but one that needs some fine-tuning so that its provisions are more in keeping with its stated goal—the enhancement of competition among financial institutions providing banking services.

In conclusion, may I stress that I am quite optimistic with regard to Canada's future and the role which our Bank can have in economic development both at home and abroad. As I indicated earlier, 1979 will most likely be another year of rather modest economic growth. However, as we move into the 1980s, the outlook is likely to brighten quite considerably, especially because of the commencement of a number of major capital expenditure projects. Whether or not we will maintain our momentum will depend on how successful we are in controlling inflation and in shaping our industrial structure to meet the challenges of the next decade.

# A Review of the Year's Financial and Operating Highlights

*(Remarks by R. Donald Fullerton, President and Chief Operating Officer, to the Annual General Meeting of Shareholders, December 12, 1978)*

It is a pleasure to have the opportunity to review the Bank's operating results for fiscal 1978, and to comment briefly on some of the more significant developments of the past year.

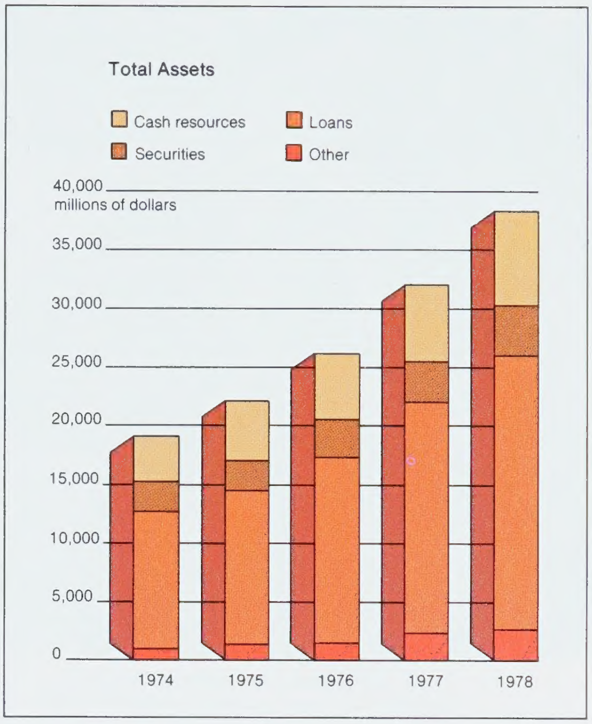
As the Annual Statement shows, this has been a satisfactory year for our Bank. Equally important, it has been an innovative period during which we made some further organizational changes, introduced a number of new services and created a number of wholly-owned subsidiaries to broaden our market opportunities.

These subjects will be discussed later, but first I would like to review our operating results, beginning with the Statement of Assets and Liabilities.

## REVIEW OF BALANCE SHEET

Total assets grew by 20 per cent to $38 billion, with our performance particularly strong in two accounts: other securities and other loans. The $879 million, or 64 per cent, increase in other securities is largely attributable to heavy demand from qualified customers for floating rate preferred shares and income debentures. The $3.5 billion rise in other loans is a result of generally stronger loan demand, particularly in the consumer finance area, where loans rose 30 per cent in 1978, as compared with 13 per cent in 1977. This is a reflection of our efforts during the year to market consumer loans more aggressively. Mortgage loans also grew by a respectable 29 per cent in 1978, a good showing in a relatively soft market. General business loans reflected a more normal growth pattern, moving ahead by nine per cent during the year. Foreign currency loans were up an encouraging 32 per cent, but part of this is due to the decline in the exchange value of the Canadian dollar. The remaining items in the listing of assets do not contain any items of unusual significance.

Under Liabilities, you will note that total deposits advanced $5.7 billion, or 19 per cent, to $35 billion.




Of this total, Canadian currency deposits accounted for $23 billion, an increase of 15 per cent, while foreign currency deposits, expressed in Canadian dollars, totalled $12 billion, an increase of 30 per cent.

Accumulated appropriations for losses increased $24 million in the year, and a breakdown of the transactions passing through this account can be seen in the Statement of Accumulated Appropriation for Losses.

Capital funds grew almost 30 per cent to more than $1.2 billion. This rise is due partially to a subordinated debenture issue which raised $75 million and a rights offering which generated $99 million by the year's end, as well as a transfer from earnings of $100 million.

## REVIEW OF INCOME STATEMENT

I would now like to review the Statement of Revenue, Expenses and Undivided Profits.

Small businesses continue to be a priority for the Commerce and loans to them account for almost 90 per cent of the total number of business loans. Branch managers, such as Ellen Staight (see above), often visit their small business clients to ensure they are provided with the most current and relevant information and advice for their operations.

Major resource development projects, such as the one above in the Beaufort Sea, require complex financial arrangements because of their great size and lengthy construction schedules. Our project financing group, staffed with a broad range of specialists in various disciplines, offers one of the most sophisticated services of its kind in this area.

Total revenue rose by 24 per cent to $3 billion during the year. Income from loans of $2.5 billion accounted for most of that growth. Income from securities increased 25 per cent and other operating revenue was ahead 14 per cent.

Total expenses rose $537 million or 24.5 per cent, with the bulk of that increase occurring in the interest on deposits and bank debentures account. Salary and property expenses were kept well in line during the year. Other operating expenses of a controllable nature, excluding loan losses, were similarly curbed. However, our net provision for losses in the past year amounted to $108 million, of which $85 million was charged to other operating expenses in this Statement, and $23 million was charged to reserves in the Statement of Accumulated Appropriations for Losses.

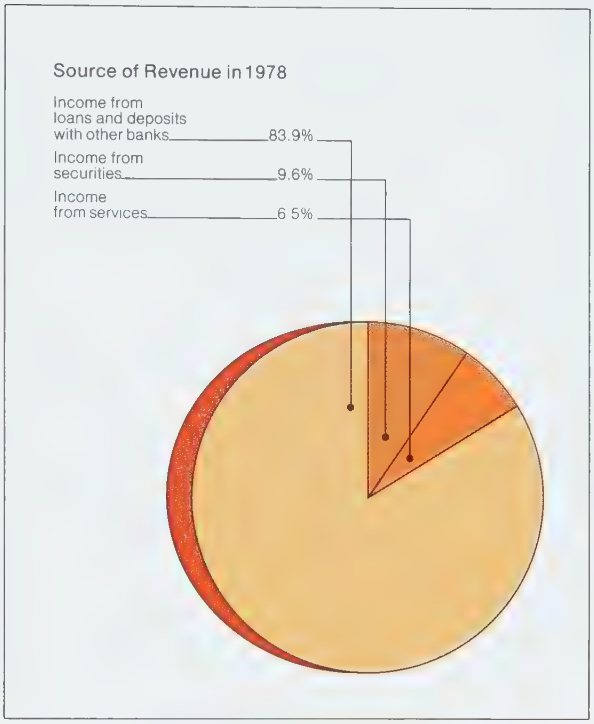
Expressed as a percentage of total loans outstanding, our provision for losses on doubtful accounts rose to .47 per cent from .44 per cent. This provision is relatively high in historical terms and special attention has been directed to improving quality control and collection procedures during the past year.

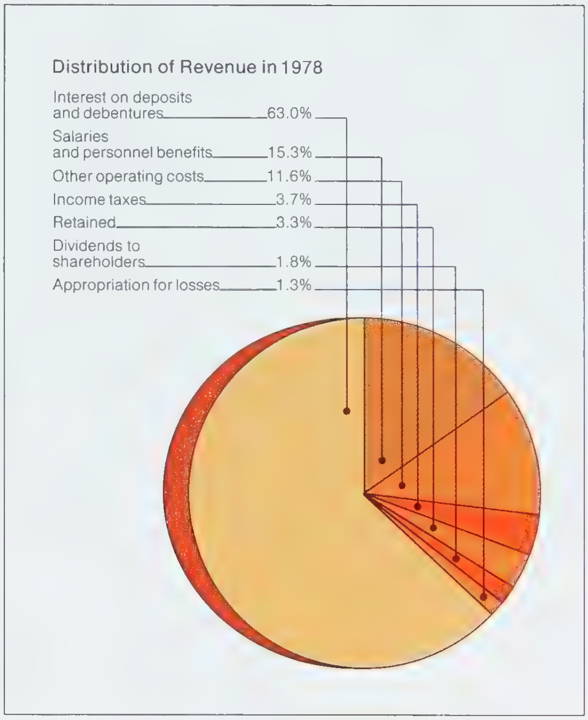
Provision for income taxes was up a modest nine per cent to $112 million, due in part to increased volume in income debenture and preferred share financing.

Our balance of revenue after taxes—one of the more significant financial measures of our performance in any year—was $193.5 million or 28.5 per cent above that of last year. Earnings from domestic operations were up 30 per cent to $152 million, while earnings from international operations rose 21 per cent to $41 million.

## FACTORS AFFECTING EARNINGS

A number of factors contributed to our favourable earnings performance this year. Domestically, our growth in assets, the improvement in our interest margins as a result of a series of interest rate increases in the second half of the year, and our control of operating expenses, all played an important




part. Internationally, a higher level of assets and the decline in exchange value of the Canadian dollar were the main factors.

An addition of $40 million was made to the reserves of the Bank as specified in the Bank Act and this is designated as appropriations for losses. A corresponding entry is found on the Statement of Accumulated Appropriations for Losses. Note 1 to the financial statements explains this entry in more detail.

Dividends of $53 million or $1.45 per share were paid during the year.

Having completed the foregoing, there remained $102 million of which $100 million was transferred to rest account, which in essence now is just another name for capital funds.

The Statements of Accumulated Appropriations for Losses and Rest Account are found on pages 16 and 17 of this Annual Report. The latter statement is self-explanatory while the former is a complex accounting procedure specified under the Bank Act. The significant items in this statement are the $40 million addition and the $23 million charge already mentioned. However, it is appropriate to reiterate that the total in this account is in essence reserves and is akin to capital. It will be observed that at $356 million, $250 million of which is tax paid, the Bank has a strong reserve position.

A number of routine notes to the financial statement can be found on page 17, and they are followed by the statements of the Bank's controlled corporations. These reflect either normal growth or start-up positions on the part of the respective companies, and they do not require any particular elaboration.

## DOMESTIC OPERATIONS

The domestic banking environment in fiscal 1978 was characterized by rising interest rates and moderating loan demand in an economy beset by slow real growth, continuing inflation and high unemployment.


Chartered bank loans to Canadian farmers have tripled in the last decade and now comprise some 55 per cent of the total agricultural financing. The Commerce offers a wide range of innovative credit packages to agricultural customers, and also provides on-site support and counsel from farm-oriented branch managers and professional agrologists. Branch manager Frank McVicker and regional agrologist John Mayes are seen above at a central Ontario farm.


Commerce Leasing Limited is a wholly-owned subsidiary formed during 1978. By the end of the fiscal year it had arranged more than $46 million in lease financing for a wide range of capital equipment, including aircraft, microwave systems, construction equipment, computers, tractors, trailers and manufacturing and processing equipment. Gary Marfleet, a company regional manager, is seen at left above viewing a computer mainframe Commerce Leasing has financed for a major Canadian toy manufacturer.

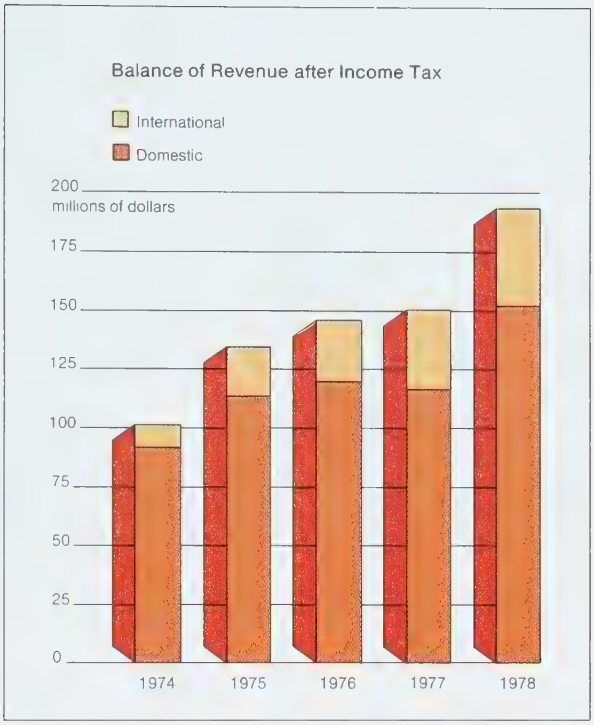
Our specialized groups within the Bank were very active throughout 1978. For example, the project financing group was chosen to handle more than $1 billion of financings, many of which required complex and resourceful arrangements tailored to the special needs of its customers. This group, which is staffed by a broad range of specialists in various disciplines, offers one of the most sophisticated services of its kind.

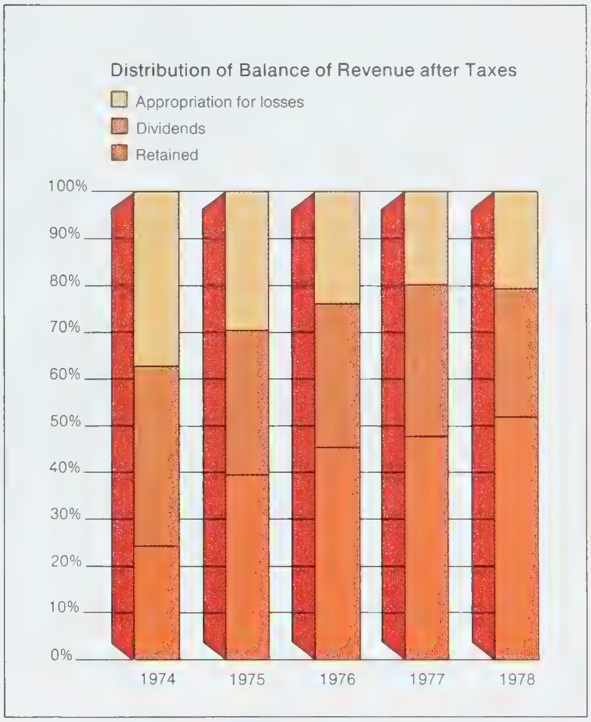
Our involvement in lease financing was strengthened with the creation of a wholly-owned subsidiary, Commerce Leasing Limited. The company, even at this early stage in its history, has offices in Vancouver, Calgary, Edmonton, Winnipeg, Toronto, Hamilton, Montreal and Halifax.

During 1978, the Bank moved into factoring through another wholly-owned subsidiary, called Commerce Factors Limited. This company is the Canadian link in the International Factors Group, a world-wide organization which involves leading factoring firms in 21 other countries.

In association with Kinross Mortgage Corporation, the Bank continues to be one of the largest providers of residential mortgages in Canada. Our commitments in fiscal 1978 were comparable to each of the preceding two years, despite significantly reduced housing starts. During the year, Kinross became the first major institution to offer open residential mortgages that allow a borrower to prepay all or part of a mortgage without notice or penalty. This progressive approach to mortgage lending reflects the Bank's belief in the necessity of constantly updating our practices to suit new public attitudes in a changing social and economic environment.

Our Consumer Finance Division was exceptionally active during the year. It launched several innovations involving the Chargex/Visa card, whose use and acceptance continues to grow impressively at home and abroad. Of particular significance was the agreement of the Hudson's Bay Company to honour Chargex cards at its outlets across Canada—the first




major department store chain to accept cards other than its own.

During the year, more than 300 branches were added to the on-line system, making a total of 1,020 branches at year-end. We will be extending this electronic banking network to virtually all our remaining branches because we are convinced that on-line brings significant and tangible benefits.

## INTERNATIONAL OPERATIONS

The Commerce is now represented in 24 countries around the world through 94 branch offices, 14 representative offices, three agencies and six trust companies. We are also active in a number of joint ventures.

To expand and enhance the role of the Commerce in the management and syndication of major Eurocurrency loans throughout the international markets of the world, two specialized international lending units were established—one in Toronto and the other in London, England. Such units complement our normal operations in these markets and provide additional sales thrusts.

Companies here and abroad continued to turn to Euromarkets as alternate sources of financing.

To broaden our capability to provide a full range of services including the management and underwriting of international securities, the Commerce joined Hambros Bank Limited, one of the largest merchant banking groups in the United Kingdom, to form an international investment banking company called CIBC Limited, with our Bank retaining majority ownership.

Our operations in the United States were highlighted by the opening of an office in Atlanta, Georgia to serve the thriving southeastern states. Another initiative was the issuance of negotiable U.S.-dollar certificates of deposit in the U.S. money market. We were the first Canadian bank to offer these deposit

The Bank offers a wide range of courses to employees on a variety of subjects, internally through Head Office and Regional Office training centres, and through our management training facility (pictured above). In addition, several thousand employees are enrolled in courses at colleges and universities throughout the country in collaboration with the Institute of Canadian Bankers. Commerce employees are actively encouraged to take advantage of these opportunities to develop themselves professionally and personally.

instruments to American customers and they have been widely accepted.

The United States recently adopted new legislation which restricts opportunities for foreign banks to extend branch networks and accept deposits there. Nevertheless, our U.S. operations are expected to show good results during 1979, following a successful 1978, particularly in California where our subsidiary, California Canadian Bank, enjoyed another record year.

We continued our strong presence in nine countries in the West Indies. A new branch was opened in Barbados, bringing our total number of branches in the area to 59. Discussions continued with government representatives in Trinidad and Tobago and, within the next few months, we expect to incorporate our operations there and be able to offer equity participation to the local investing public.

During 1978, the Bank was granted a licence to transact banking business in Hong Kong and we plan to open a branch there shortly. Together with our existing Area Administrative Office and a development company jointly owned with a local concern, the Hong Kong branch will provide a broad base for continued growth in the Pacific Rim area.

In Canada, we prepared the way for the establishment of International Banking Centres in major cities across the country. Staffed by specialists in all phases of international banking, these centres will be focal points for servicing the growing international and export needs of Canadian businesses.

The operational performance of the Bank is dependent upon the quality and dedication of its personnel at all levels. The Bank has grown at an extraordinary rate for a number of years. Similarly, the number and complexity of banking services has expanded proportionately. This has placed heavy and continuing demands on our people. They have performed admirably under these circumstances.

## PERSONNEL DEVELOPMENT A PRIORITY

Personnel development will continue to be one of our highest priorities. A good deal has been done to

update our benefits programs for our people in Canada and abroad. Human resource planning has been stepped up, especially to ensure that we have sufficient trained personnel to cope with anticipated growth. A communications program through which employees can direct their inquiries, suggestions, opinions, and complaints has been introduced and is gaining acceptance. Our training programs continue to attract a very large number of our personnel—for example, more than 27,000 personnel in the branch banking stream attended almost 4,000 internal training courses. However, we recognize that more needs to be done, not only to train our people to cope with the demands of the job, but to simplify the administrative workload. This is receiving attention and will be a high priority item in 1979.

We have specifically mentioned the role of women in management of the Bank for a number of years. With more than 200 women now in the branch management function and their ranks increasing dramatically each year, the trend is clearly established and we welcome it. There are many opportunities in the Bank for qualified women and we anticipate that the experience at the branch management level will be duplicated in more senior management and executive management roles in the years ahead—all in the normal course of progress within the system.

The very real progress experienced in 1978 would not have been possible without the dedication, skill and efforts of our more than 35,000 employees throughout the world. We express to them our sincere gratitude.

In closing, I would like to discuss the rationale behind some recent organizational changes.

## EXPLANATION OF ORGANIZATIONAL CHANGES

Over the past several years we have modified the management structure and regional configuration of our Bank. We are satisfied that these changes are having a favourable impact, not only on our balance of revenue, but also on our ability to deliver effectively an ever-expanding range of services.

Now we are taking steps to further enhance our capability in an increasingly sophisticated marketplace. And I should emphasize that these evolve quite naturally from our previous path and do not represent any dramatic change of direction.

In essence, we are organizing the Bank's domestic market into two major components: first, under the title Domestic Regions, the consumer and general business market; and second, the corporate banking market. The consumer and general business sector was already evolving toward separate status and we are now able to consolidate the preparatory work of the past year. Similarly, in the corporate sector, we were already part way down the road through the creation of teams of specialists for such areas as major project financing, corporate and government financing, agriculture, mining and others. Now we are bringing these groups together initially at Head Office; then, in due course, there will be counterparts at the regional level.

In keeping with these changes, we are consolidating a number of administrative functions at Head Office, and this should result in improved co-ordination and increased responsiveness to the real needs of our branch system.

Each of the four components under the revamped structure—domestic regions, corporate banking, international banking, and administration—will be supervised by an Executive Vice-President.

As implied earlier, this organizational realignment flows from longer range planning exercises which embrace many interesting and challenging elements.

Suffice to say that the Bank is not static—it is a dynamic institution, moving aggressively in the marketplace on a planned and purposeful basis.

CANADIAN IMPERIAL
BANK OF COMMERCE

## Statement of Assets and Liabilities

as at October 31, 1978

| ASSETS | 1978 | 1977 |
|---|---|---|
| Cash and due from banks | **$ 7,247,734,219** | $ 6,157,473,886 |
| Cheques and other items in transit, net | **986,145,891** | 644,525,742 |
| Total cash resources | **8,233,880,110** | 6,801,999,628 |
| Securities issued or guaranteed by Canada, at amortized value | **2,088,079,237** | 1,983,990,080 |
| Securities issued or guaranteed by provinces, at amortized value | **62,740,951** | 63,282,927 |
| Other securities, not exceeding market value | **2,255,762,562** | 1,376,919,834 |
| Total securities | **4,406,582,750** | 3,424,192,841 |
| Day, call and short loans to investment dealers and brokers, secured | **312,494,831** | 357,450,436 |
| Other loans, including mortgages, less provision for losses | **22,698,793,897** | 19,192,066,899 |
| Total loans | **23,011,288,728** | 19,549,517,335 |
| Bank premises at cost, less amounts written off | **328,587,673** | 296,229,606 |
| Securities of and loans to corporations controlled by the bank | **734,649,023** | 589,576,145 |
| Customers' liability under acceptances, guarantees and letters of credit, as per contra | **1,522,374,211** | 1,281,428,013 |
| Other assets | **34,988,121** | 26,305,565 |
| | **$38,272,350,616** | $31,969,249,133 |

*See Notes to the Financial Statements*

## Auditors' Report to the Shareholders

We have examined the statement of assets and liabilities of Canadian Imperial Bank of Commerce as at October 31, 1978 and the statements of revenue, expenses and undivided profits, accumulated appropriations for losses and rest account for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, November 22, 1978.

| LIABILITIES | 1978 | 1977 |
|---|---|---|
| Deposits by Canada | **$ 1,127,514,188** | $ 683,933,020 |
| Deposits by provinces | **491,889,670** | 643,837,962 |
| Deposits by banks | **6,675,221,267** | 6,010,673,422 |
| Personal savings deposits payable after notice, in Canada, in Canadian currency | **12,295,510,653** | 11,228,612,954 |
| Other deposits | **14,416,576,817** | 10,749,262,573 |
| Total deposits | **35,006,712,595** | 29,316,319,931 |
| Acceptances, guarantees and letters of credit | **1,522,374,211** | 1,281,428,013 |
| Other liabilities | **176,518,902** | 102,843,379 |
| Accumulated appropriations for losses | **356,278,341** | 332,311,761 |
| Capital Funds: | | |
| Debentures issued and outstanding (Note 2) | **300,000,000** | 225,000,000 |
| Capital: | | |
| Authorized—62,500,000 shares of a par value of $2 each | | |
| Issued—(Note 6) | **77,926,332** | 69,680,000 |
| Rest account | **830,709,657** | 640,000,000 |
| Undivided profits | **1,830,578** | 1,666,049 |
| Total capital funds | **1,210,466,567** | 936,346,049 |
| | **$38,272,350,616** | $31,969,249,133 |

R. E. HARRISON
*Chairman*
*and Chief Executive Officer*

R. D. FULLERTON
*President*
*and Chief Operating Officer*

In our opinion, the foregoing statements present fairly the financial position of the Bank as at October 31, 1978 and the revenue, expenses and undivided profits, accumulated appropriations for losses and transactions in the rest account of the Bank for the year ended on that date.

A. G. WATSON, F.C.A., of Peat, Marwick, Mitchell & Co.
W. H. BROADHURST, F.C.A., of Price Waterhouse & Co.
} *Auditors*

## Statement of Revenue, Expenses and Undivided Profits

For the financial year ended October 31, 1978

| | 1978 | 1977 |
|---|---|---|
| Revenue: | | |
| Income from loans | **$2,549,921,180** | $2,043,357,184 |
| Income from securities | **290,698,256** | 232,303,206 |
| Other operating revenue | **198,854,639** | 174,787,684 |
| Total revenue | **3,039,474,075** | 2,450,448,074 |
| Expenses: | | |
| Interest on deposits and bank debentures | **1,917,413,667** | 1,483,379,714 |
| Salaries, pension contributions and other staff benefits | **465,118,603** | 419,848,690 |
| Property expenses, including depreciation | **120,265,393** | 103,353,583 |
| Other operating expenses, including provision of $84,901,824 ($64,426,442 in 1977) for losses on loans based on five-year average loss experience (Note 1) | **231,151,073** | 190,246,032 |
| Total expenses | **2,733,948,736** | 2,196,828,019 |
| Balance of revenue | **305,525,339** | 253,620,055 |
| Provision for income taxes relating thereto (Note 4) | **112,000,000** | 103,000,000 |
| Balance of revenue after provision for income taxes | **193,525,339** | 150,620,055 |
| Appropriation for losses (Note 1) | **40,000,000** | 30,000,000 |
| Balance of profits for the year | **153,525,339** | 120,620,055 |
| Dividends | **53,360,810** | 48,776,000 |
| Amount carried forward | **100,164,529** | 71,844,055 |
| Undivided profits at beginning of year | **1,666,049** | 4,821,994 |
| | **101,830,578** | 76,666,049 |
| Transferred to Rest account | **100,000,000** | 75,000,000 |
| Undivided profits at end of year | **$ 1,830,578** | $ 1,666,049 |

## Statement of Accumulated Appropriations for Losses

For the financial year ended October 31, 1978

| | 1978 | 1977 |
|---|---|---|
| Accumulated appropriations at beginning of year: | | |
| General | **$ 119,708,969** | $ 101,132,951 |
| Tax-paid | **212,602,792** | 200,229,767 |
| Total | **332,311,761** | 301,362,718 |
| Appropriation from current year's operations (Note 1) | **40,000,000** | 30,000,000 |
| Loss experience on loans less provision included in other operating expenses | **(22,921,498)** | (21,727,819) |
| Profits and losses on securities, including provisions to reduce securities other than those of Canada and provinces to values not exceeding market | **(10,607,954)** | 2,102,142 |
| Other profits, losses and non-recurring items, net | **8,496,032** | 74,720 |
| Provision for income taxes, including credit of $10,200,000 (1977 $20,500,000) related to appropriation from current year's operations (Note 4) | **9,000,000** | 20,500,000 |
| Accumulated appropriations at end of year | **$ 356,278,341** | $ 332,311,761 |
| Accumulated appropriations at end of year: | | |
| General | **$ 106,211,132** | $ 119,708,969 |
| Tax-paid | **250,067,209** | 212,602,792 |
| Total | **$ 356,278,341** | $ 332,311,761 |

*See Notes to the Financial Statements*

## Statement of Rest Account

For the financial year ended October 31, 1978

| | 1978 | 1977 |
|---|---|---|
| Balance at beginning of year | **$640,000,000** | $565,000,000 |
| Premium on issue of capital stock (Note 6) | **90,709,657** | — |
| Transfer from undivided profits | **100,000,000** | 75,000,000 |
| Balance at end of year | **$830,709,657** | $640,000,000 |

## Notes to the Financial Statements

1. The provision on account of losses incurred on loans included in other operating expenses is based on a formula which takes into account the loss experience over the past five years.

   In addition to the provision for losses included in other operating expenses, an appropriation is made out of earnings at each year-end to provide for losses not yet known which may be incurred on realization of existing loans, together with possible losses on securities and other assets.

2. Debentures issued and outstanding comprise:

| | 1978 | 1977 |
|---|---|---|
| (a) 7¼% Debentures maturing December 15, 1992 (the holders of debentures totalling $49,099,000 have elected that such debentures mature on December 15, 1978) | **$ 50,000,000** | $ 50,000,000 |
| (b) 7½% Debentures maturing May 15, 1993 (the holder of any debenture may elect that such debenture mature on November 15, 1979) | **50,000,000** | 50,000,000 |
| (c) 9¾% Debentures maturing January 2, 1995 (the holder of any debenture may elect that such debenture mature on January 2, 1985) | **75,000,000** | 75,000,000 |
| (d) 9½% Debentures maturing October 15, 1996 (the holder of any debenture may elect that such debenture mature on October 15, 1986) | **50,000,000** | 50,000,000 |
| (e) 9¼% Debentures maturing February 15, 1998 (the holder of any debenture may elect that such debenture mature on February 15, 1988) | **75,000,000** | — |
| | **$300,000,000** | $225,000,000 |

3. The financial statements include the assets and liabilities and results of operations of California Canadian Bank, Bank of Commerce Jamaica Limited and Bank of Commerce Trinidad and Tobago Limited, all of which are wholly-owned subsidiaries.

4. Provisions for income taxes are included in the financial statements as follows:

| | 1978 | 1977 |
|---|---|---|
| Statement of Revenue, Expenses and Undivided Profits | **$112,000,000** | $103,000,000 |
| Statement of Accumulated Appropriations for Losses | **(9,000,000)** | (20,500,000) |
| Total | **$103,000,000** | $ 82,500,000 |

5. The Bank believes that it has been in compliance with the Anti-Inflation Act and supporting Regulations. The application of the Act to the operations of the Bank expired on October 31, 1978.

6. During 1978 shareholders were offered rights to subscribe for additional shares on a 1 for 8 basis at $24 per share resulting in additions to capital stock and rest account as follows:

| | Number of Shares | Capital Stock | Rest Account |
|---|---|---|---|
| Fully Paid | 3,898,106 | $ 7,796,212 | $ 85,758,332 |
| Partly Paid | 456,894 | 450,120 | 4,951,325 |
| As at October 31, 1978 | 4,355,000 | $ 8,246,332 | $ 90,709,657 |
| The partly paid shares are being paid for by instalments as provided by the Bank Act and will produce further proceeds of | | 463,668 | 5,100,343 |
| Total proceeds of the rights issue | | $ 8,710,000 | $ 95,810,000 |

The issued capital of the bank increased during the year as a result of the rights issue as follows:

| | Number of Shares | | |
|---|---|---|---|
| | Fully Paid | Partly Paid | Amount |
| October 31, 1977 | 34,840,000 | — | $ 69,680,000 |
| Proceeds from rights issue | 3,898,106 | 456,894 | 8,246,332 |
| October 31, 1978 | 38,738,106 | 456,894 | $ 77,926,332 |

## Statements of Assets and Liabilities of Controlled Corporations

### THE CANADIAN BANK OF COMMERCE TRUST COMPANY, NEW YORK
(as at August 31, 1978—in United States Dollars)

| ASSETS | | LIABILITIES | | |
|---|---|---|---|---|
| Cash and due from banks | $16,588,158 | Deposits | | $26,699,935 |
| Securities | 9,798,805 | Accounts and taxes payable | | 34,610 |
| Loans | 3,999,472 | Capital | $1,000,000 | |
| | | Surplus | 1,800,000 | |
| Other assets | 48,067 | Retained earnings | 899,957 | 3,699,957 |
| | $30,434,502 | | | $30,434,502 |

The Bank owns the entire capital stock of The Canadian Bank of Commerce Trust Company with the exception of the directors' qualifying shares, which at August 31, 1978 was carried on the books of the Bank at U.S. $2,786,000 (Can. $3,205,014).

### COMMERCE INTERNATIONAL TRUST LIMITED
(as at August 31, 1978—in Pounds Sterling)

| ASSETS | | LIABILITIES | | |
|---|---|---|---|---|
| Cash and due from banks | £ 7,109,905 | Canadian Imperial Bank of Commerce | | £ 58,103,287 |
| Loans | 51,555,798 | Accounts and taxes payable | | 170,931 |
| | | Capital | £ 100 | |
| Other assets | 100,376 | Retained earnings | 491,761 | 491,861 |
| | £ 58,766,079 | | | £ 58,766,079 |

The Bank owns the entire capital stock of Commerce International Trust Limited, which at August 31, 1978 was carried on the books of the Bank at £100 (Can. $223).

### C.I.B.C. FINANCE B.V.
Including its subsidiary companies (as at August 31, 1978—in Netherlands Guilders)

| ASSETS | | LIABILITIES | | |
|---|---|---|---|---|
| Cash and due from banks | ƒ.323,559,590 | Canadian Imperial Bank of Commerce | | ƒ.625,402,677 |
| Accounts receivable | 2,716,306 | Accounts and taxes payable | | 6,061,507 |
| Loans | 313,376,765 | Capital | ƒ. 200,000 | |
| Fixed assets less depreciation | 190,785 | | | |
| Other assets | 2,856,811 | Retained earnings | 11,036,073 | 11,236,073 |
| | ƒ.642,700,257 | | | ƒ.642,700,257 |

The Bank owns the entire capital stock of C.I.B.C. Finance B.V., which at August 31, 1978 was carried on the books of the Bank at ƒ.200,000 (Can. $106,580).

## CANADIAN IMPERIAL BANK OF COMMERCE TRUST COMPANY (CAYMAN) LIMITED

Including its wholly-owned subsidiary companies (as at August 31, 1978—in Cayman Island Dollars)

| ASSETS | | LIABILITIES | | |
|---|---|---|---|---|
| Cash and due from banks | $11,044,143 | Deposits | | $27,916,423 |
| Mortgages | 17,498,577 | Accounts and taxes payable | | 316,125 |
| Fixed assets less depreciation | 1,895,308 | Capital | $2,250,000 | |
| Other assets | 462,858 | Retained earnings | 418,338 | 2,668,338 |
| | $30,900,886 | | | $30,900,886 |

The Bank owns the entire capital stock of Canadian Imperial Bank of Commerce Trust Company (Cayman) Limited, which at August 31, 1978 was carried on the books of the Bank at Cayman Island $2,250,000 (Can. $3,112,425).

## CANADIAN IMPERIAL BANK OF COMMERCE TRUST COMPANY (BAHAMAS) LIMITED

(as at August 31, 1978—in Bahamian Dollars)

| ASSETS | | LIABILITIES | | |
|---|---|---|---|---|
| Cash and due from banks | $ 909,567 | Loans | | $ 756,255 |
| Accounts receivable | 99,495 | | | |
| Securities | 200,000 | Capital | $ 300,000 | |
| Fixed assets less depreciation | 5,239 | Retained earnings | 158,046 | 458,046 |
| | $ 1,214,301 | | | $ 1,214,301 |

The Bank owns the entire capital stock of Canadian Imperial Bank of Commerce Trust Company (Bahamas) Limited, which at August 31, 1978 was carried on the books of the Bank at Bahamian $300,000 (Can. $345,960).

## BANK OF COMMERCE TRUST COMPANY BARBADOS LIMITED

(as at August 31, 1978—in Barbados Dollars)

| ASSETS | | LIABILITIES | | |
|---|---|---|---|---|
| Cash and due from banks | $ 2,658,903 | Deposits | | $ 4,142,196 |
| Loans and mortgages | 1,875,851 | Accounts and taxes payable | | 25,855 |
| | | Capital | $ 362,000 | |
| Fixed assets less depreciation | 23,276 | Retained earnings | 27,979 | 389,979 |
| | $ 4,558,030 | | | $ 4,558,030 |

The Bank owns the entire capital stock of Bank of Commerce Trust Company Barbados Limited, which at August 31, 1978 was carried on the books of the Bank at Barbados $362,000 (Can. $208,512).

# Statements of Assets and Liabilities of Controlled Corporations

## CANADIAN LAND & INVESTMENT COMPANY, LIMITED

(as at December 31, 1977—in Canadian Dollars)

| ASSETS | | LIABILITIES | | |
|---|---|---|---|---|
| Cash and due from banks | $ 240,470 | Accounts and taxes payable | | $ 55,341 |
| Investments | 423,852 | Capital: | | |
| Other assets | 45,180 | Voting | $ 100,000 | |
| | | Non-voting | 600,000 | |
| | | | 700,000 | |
| | | Deficit | (45,839) | 654,161 |
| | $ 709,502 | | | $ 709,502 |

The Bank owns the entire voting capital stock of Canadian Land & Investment Company, Limited, which at December 31, 1977 was carried on the books of the Bank at $1. The non-voting capital stock of the company is owned by a subsidiary of the Bank and is carried on its books at $600,000.

## COMMERCE FACTORS LIMITED

(as at October 31, 1978—in Canadian Dollars)

| ASSETS | | LIABILITIES | | |
|---|---|---|---|---|
| Cash and due from banks | $ 161,216 | Accounts payable | | $ 100,508 |
| Fixed assets less depreciation | 30,685 | Capital | $ 400,006 | |
| Other assets | 218,292 | Deficit | (90,321) | 309,685 |
| | $ 410,193 | | | $ 410,193 |

The Bank owns the entire capital stock of Commerce Factors Limited, which at October 31, 1978 was carried on the books of the Bank at $400,500.

## COMMERCE LEASING LIMITED

(as at October 31, 1978—in Canadian Dollars)

| ASSETS | | LIABILITIES | | |
|---|---|---|---|---|
| Cash and due from banks | $ 2,307,363 | Canadian Imperial Bank of Commerce | | $ 509,047 |
| Net lease receivables | 20,696,361 | Accounts payable | | 224,091 |
| Fixed assets less depreciation | 156,420 | Capital | $23,100,300 | |
| Other assets | 184,158 | Deficit | (489,136) | 22,611,164 |
| | $ 23,344,302 | | | $23,344,302 |

The Bank owns the entire capital stock of Commerce Leasing Limited, which at October 31, 1978 was carried on the books of the Bank at $23,100,300.

## THE DOMINION REALTY COMPANY, LIMITED

Including its wholly-owned subsidiary companies (as at October 31, 1978—in Canadian Dollars)

| ASSETS | | LIABILITIES | | |
|---|---|---|---|---|
| Fixed assets less depreciation | $122,002,566 | Canadian Imperial Bank of Commerce | | $ 20,476,799 |
| Other assets | 464,848 | Accrued interest and other liabilities | | 4,189,173 |
| | | Notes payable: | | |
| | | 1979-1991 (U.S. $34,000,000) | | 34,724,624 |
| | | 1981-1991 | | 18,000,000 |
| | | Capital | $44,000,000 | |
| | | Retained earnings | 1,076,818 | 45,076,818 |
| | $122,467,414 | | | $122,467,414 |

The Bank owns the entire capital stock of The Dominion Realty Company Limited, which at October 31, 1978 was carried on the books of the Bank at $44,000,000.

## IMBANK REALTY COMPANY LIMITED

Including its wholly-owned subsidiary company (as at October 31, 1978—in Canadian Dollars)

| ASSETS | | LIABILITIES | | |
|---|---|---|---|---|
| Fixed assets less depreciation | $ 5,598,134 | Canadian Imperial Bank of Commerce | | $ 2,254,097 |
| Other assets | 791,210 | Other liabilities | | 65,514 |
| | | First mortgage bonds: | | |
| | | Series B, 1979-1980 | | 750,000 |
| | | Capital | $ 2,750,000 | |
| | | Retained earnings | 569,733 | 3,319,733 |
| | $ 6,389,344 | | | $ 6,389,344 |

The Bank owns the entire capital stock of Imbank Realty Company Limited, which at October 31, 1978 was carried on the books of the Bank at $2,750,000.

## UNITED DOMINIONS CORPORATION (CANADA) LIMITED

Including its wholly-owned subsidiary companies (as at March 31, 1978—in Canadian Dollars)

| ASSETS | | LIABILITIES | | |
|---|---|---|---|---|
| Cash and due from banks | $ 1,978,021 | Canadian Imperial Bank of Commerce | | $147,584,134 |
| Loans | 243,157,032 | Notes and debentures payable | | 78,200,734 |
| Fixed assets less depreciation | 514,305 | Other liabilities | | 3,979,887 |
| Other assets | 2,617,097 | Capital | $13,000,000 | |
| | | Retained earnings | 5,501,700 | 18,501,700 |
| | $248,266,455 | | | $248,266,455 |

The Bank owns the entire capital stock of United Dominions Corporation (Canada) Limited, which at March 31, 1978 was carried on the books of the Bank at $16,786,961.

## AUDITORS' REPORT TO THE SHAREHOLDERS OF THE BANK

We have examined the statements of assets and liabilities of controlled corporations of Canadian Imperial Bank of Commerce as at the dates indicated. Our examinations included general reviews of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying statements of assets and liabilities present fairly the financial positions of the corporations as at the dates indicated.

A. G. WATSON, F.C.A. of Peat, Marwick, Mitchell & Co.
W. H. BROADHURST, F.C.A. of Price Waterhouse & Co. } *Auditors*

Toronto, November 22, 1978

## Ten-Year Statistical Review

(thousands of dollars)

| REVENUE, EXPENSES AND UNDIVIDED PROFITS | 1978 | 1977 | 1976 |
|---|---|---|---|
| REVENUE | | | |
| Income from loans | **$2,549,921** | $2,043,357 | $1,838,009 |
| Income from securities | **290,698** | 232,303 | 205,862 |
| Other operating revenue | **198,855** | 174,788 | 163,857 |
| Total Revenue | **$3,039,474** | $2,450,448 | $2,207,728 |
| EXPENSES | | | |
| Interest on deposits and bank debentures | **$1,917,414** | $1,483,380 | $1,331,900 |
| Salaries, pensions, and other staff benefits | **465,118** | 419,849 | 359,639 |
| Property expenses | **120,265** | 103,353 | 88,246 |
| Other operating expenses | **231,151** | 190,246 | 154,045 |
| Total Expenses | **$2,733,948** | $2,196,828 | $1,933,830 |
| Balance of revenue | **$ 305,526** | $ 253,620 | $ 273,898 |
| Provision for income taxes relating thereto | **112,000** | 103,000 | 128,000 |
| Balance of revenue after income taxes | **193,526** | 150,620 | 145,898 |
| Appropriation for losses | **40,000** | 30,000 | 35,000 |
| Balance of profits | **153,526** | 120,620 | 110,898 |
| Dividends | **53,361** | 48,776 | 44,595 |
| Amount carried forward | **100,165** | 71,844 | 66,303 |
| Undivided profits at beginning of year | **1,666** | 4,822 | 3,519 |
| Transfer from accumulated appropriations for losses | **—** | — | — |
| | **101,831** | 76,666 | 69,822 |
| Transferred to rest account | **100,000** | 75,000 | 65,000 |
| Undivided profits at end of year | **$ 1,831** | $ 1,666 | $ 4,822 |
| Average number of shares outstanding* | **36,322,273** | 34,840,000 | 34,840,000 |
| PER SHARE (in dollars) | | | |
| Balance of revenue, after taxes | **$ 5.33** | $ 4.32 | $ 4.19 |
| Balance of profits | **4.23** | 3.46 | 3.18 |
| Dividends | **1.45** | 1.40 | 1.28 |



*Represents the weighted monthly average of equivalent fully paid shares outstanding.

Note: For purposes of this Review, certain financial statement captions have been abbreviated or grouped, and amounts shown for earlier years have been restated where necessary to conform to the presentation used in 1978.

| 1975 | 1974 | 1973 | 1972 | 1971 | 1970 | 1969 |
|---|---|---|---|---|---|---|
| $1,551,291 | $1,369,985 | $ 825,824 | $590,428 | $516,505 | $572,999 | $466,308 |
| 183,553 | 176,499 | 148,783 | 159,611 | 162,206 | 140,297 | 132,115 |
| 144,451 | 112,649 | 96,128 | 84,632 | 72,853 | 74,523 | 69,990 |
| $1,879,295 | $1,659,133 | $1,070,735 | $834,671 | $751,564 | $787,819 | $668,413 |
| $1,110,768 | $1,041,991 | $ 558,454 | $408,392 | $393,589 | $441,142 | $349,892 |
| 301,596 | 241,914 | 192,608 | 154,129 | 138,566 | 127,289 | 121,207 |
| 74,637 | 64,486 | 58,190 | 53,226 | 45,599 | 39,286 | 33,717 |
| 129,851 | 104,613 | 80,055 | 63,694 | 51,572 | 43,083 | 38,346 |
| $1,616,852 | $1,453,004 | $ 889,307 | $679,441 | $629,326 | $650,800 | $543,162 |
| $ 262,443 | $ 206,129 | $ 181,428 | $155,230 | $122,238 | $137,019 | $125,251 |
| 128,500 | 104,800 | 88,500 | 73,000 | 61,300 | 71,500 | 65,000 |
| 133,943 | 101,329 | 92,928 | 82,230 | 60,938 | 65,519 | 60,251 |
| 40,000 | 38,000 | 38,000 | 33,000 | 20,000 | 22,000 | 22,000 |
| 93,943 | 63,329 | 54,928 | 49,230 | 40,938 | 43,519 | 38,251 |
| 41,111 | 38,672 | 33,446 | 27,872 | 25,085 | 23,691 | 22,994 |
| 52,832 | 24,657 | 21,482 | 21,358 | 15,853 | 19,828 | 15,257 |
| 687 | 11,030 | 9,548 | 8,190 | 7,337 | 2,509 | 1,252 |
| — | — | 15,000 | 10,000 | 10,000 | 10,000 | 11,000 |
| 53,519 | 35,687 | 46,030 | 39,548 | 33,190 | 32,337 | 27,509 |
| 50,000 | 35,000 | 35,000 | 30,000 | 25,000 | 25,000 | 25,000 |
| $ 3,519 | $ 687 | $ 11,030 | $ 9,548 | $ 8,190 | $ 7,337 | $ 2,509 |
| 34,840,000 | 34,840,000 | 34,840,000 | 34,840,000 | 34,840,000 | 34,840,000 | 34,840,000 |
| $ 3.84 | $ 2.91 | $ 2.67 | $ 2.36 | $ 1.75 | $ 1.88 | $ 1.73 |
| 2.70 | 1.82 | 1.58 | 1.41 | 1.18 | 1.25 | 1.10 |
| 1.18 | 1.11 | .96 | .80 | .72 | .68 | .66 |

## Ten-Year Statistical Review

(thousands of dollars)

| ASSETS AND LIABILITIES AS AT OCTOBER 31 | **1978** | 1977 | 1976 |
|---|---|---|---|
| ASSETS | | | |
| Cash resources | **$ 8,233,880** | $ 6,802,000 | $ 5,516,136 |
| Securities | **4,406,583** | 3,424,193 | 2,711,762 |
| Loans | **23,011,289** | 19,549,517 | 16,354,823 |
| Bank premises | **328,588** | 296,229 | 262,735 |
| Other assets | **2,292,011** | 1,897,310 | 1,258,587 |
| Total | **$38,272,351** | $31,969,249 | $26,104,043 |
| LIABILITIES | | | |
| Deposits | **$35,006,713** | $29,316,320 | $23,867,587 |
| Sundry liabilities | **1,698,893** | 1,384,271 | 1,070,591 |
| Accumulated appropriations for losses | **356,278** | 332,312 | 301,363 |
| Capital funds: | | | |
| Debentures | **300,000** | 225,000 | 225,000 |
| Shareholders' equity | **910,467** | 711,346 | 639,502 |
| Total | **$38,272,351** | $31,969,249 | $26,104,043 |

| ACCUMULATED APPROPRIATIONS FOR LOSSES | | | |
|---|---|---|---|
| Accumulated appropriations at beginning of year | **$ 332,312** | $ 301,363 | $ 256,825 |
| Additions (deductions) during year: | | | |
| Current year's appropriation | **$ 40,000** | $ 30,000 | $ 35,000 |
| Losses on loans under (over) five-year average | **(22,922)** | (21,728) | (3,147) |
| Profits and losses on securities | **(10,608)** | 2,102 | 16,085 |
| Other profits and losses, (net) | **8,496** | 75 | — |
| Provision for income taxes | **9,000** | 20,500 | (3,400) |
| Transferred to undivided profits | **—** | — | — |
| | **$ 23,966** | $ 30,949 | $ 44,538 |
| Accumulated appropriation at end of year: | | | |
| General | **$ 106,211** | $ 119,709 | $ 101,133 |
| Tax-paid | **250,067** | 212,603 | 200,230 |
| Total | **$ 356,278** | $ 332,312 | $ 301,363 |



Note: For purposes of this Review, certain financial statement captions have been abbreviated or grouped, and amounts shown for earlier years have been restated where necessary to conform to the presentation used in 1978.

| 1975 | 1974 | 1973 | 1972 | 1971 | 1970 | 1969 |
|---|---|---|---|---|---|---|
| $ 4,769,445 | $ 3,838,470 | $ 3,900,295 | $ 2,495,251 | $ 2,044,230 | $ 2,812,703 | $1,623,306 |
| 2,539,166 | 2,611,826 | 2,492,933 | 2,556,442 | 2,864,300 | 2,514,860 | 2,108,971 |
| 13,488,454 | 11,509,598 | 8,984,594 | 7,611,469 | 5,939,516 | 5,242,014 | 5,090,629 |
| 232,365 | 212,730 | 196,528 | 180,471 | 132,646 | 110,439 | 88,596 |
| 1,229,623 | 774,257 | 527,316 | 457,178 | 419,568 | 370,567 | 288,478 |
| $22,259,053 | $18,946,881 | $16,101,666 | $13,300,811 | $11,400,260 | $11,050,583 | $9,199,980 |
| | | | | | | |
| $20,146,034 | $17,394,427 | $14,801,144 | $12,205,229 | $10,419,308 | $10,180,598 | $8,397,795 |
| 1,107,995 | 721,265 | 499,563 | 447,535 | 386,351 | 320,165 | 286,435 |
| 256,825 | 210,822 | 205,249 | 188,819 | 166,731 | 147,803 | 143,561 |
| 175,000 | 100,000 | 100,000 | — | — | — | — |
| 573,199 | 520,367 | 495,710 | 459,228 | 427,870 | 402,017 | 372,189 |
| $22,259,053 | $18,946,881 | $16,101,666 | $13,300,811 | $11,400,260 | $11,050,583 | $9,199,980 |
| | | | | | | |
| $ 210,822 | $ 205,249 | $ 188,819 | $ 166,731 | $ 147,803 | $ 143,561 | $ 140,970 |
| | | | | | | |
| $ 40,000 | $ 38,000 | $ 38,000 | $ 33,000 | $ 20,000 | $ 22,000 | $ 22,000 |
| (4,844) | (5,624) | (1,360) | (3,811) | (8,653) | (5,359) | 1,703 |
| 11,580 | (26,772) | (5,332) | 1,082 | 18,108 | (1,941) | (8,063) |
| (733) | (31) | 322 | 2,117 | (527) | (158) | 451 |
| — | — | (200) | (300) | — | (300) | (2,500) |
| — | — | (15,000) | (10,000) | (10,000) | (10,000) | (11,000) |
| $ 46,003 | $ 5,573 | $ 16,430 | $ 22,088 | $ 18,928 | $ 4,242 | $ 2,591 |
| | | | | | | |
| $ 93,110 | $ 88,865 | $ 108,500 | $ 115,482 | $ 122,562 | $ 116,655 | $ 120,317 |
| 163,715 | 121,957 | 96,749 | 73,337 | 44,169 | 31,148 | 23,244 |
| $ 256,825 | $ 210,822 | $ 205,249 | $ 188,819 | $ 166,731 | $ 147,803 | $ 143,561 |

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Canadian Imperial Bank of Commerce Trust Company (Bahamas) Limited, P.O. Box N3933, Nassau, Bahamas

Bank of Commerce Trust Company Barbados Limited, P.O. Box 1008, Bridgetown, Barbados

Canadian Imperial Bank of Commerce Trust Company (Cayman) Limited, P.O. Box 694, Grand Cayman, Cayman Islands

The Canadian Bank of Commerce Trust Company (Caribbean) Limited, P.O. Box 43, Kingston, Jamaica

Bank of Commerce Trust Company Trinidad and Tobago Limited, P.O. Box 1059, Port of Spain, Trinidad

### INTERNATIONAL SUBSIDIARIES

Bank of Commerce Jamaica Limited
Head Office:
Box 762, 121 Harbour St.,
Kingston, Jamaica
Branches at Duke and Laws, Half Way Tree, King and Harbour, Manor Park Shopping Centre, New Kingston, Newport West, Princess and West Queen Streets, Twin Gates Shopping Centre, Kingston; Buff Bay; Lluidas Vale; Mandeville; May Pen; Montego Bay; Ocho Rios and Port Antonio.

California Canadian Bank
Head Office:
340 Pine Street,
San Francisco, California 94104
Branches at Belmont; Campbell; Concord; Cupertino; El Cajon; Lafayette; 700 South Flower Street, 3301 Wilshire Blvd., Los Angeles; Newport Beach; Orange; Palo Alto; Pleasant Hill; Sacramento; 770 B Street, 4160 Kearny Mesa Rd., 3505 Sports Arena Blvd., San Diego; 344 Pine Street, 35 Bay Street (Francisco Bay), 1000 Taraval Street (Parkside), San Francisco; San Jose; San Mateo; San Rafael; Santa Rosa; and Sunnyvale.

Canadian Imperial Bank of Commerce (International) S.A.
1, Rue du Boccador,
75008 Paris, France

Commerce International Finance Company (Asia) Limited
19th Floor, China Building,
29 Queen's Road Central,
Hong Kong

### DOMESTIC OFFICES

ATLANTIC:

| | |
|---|---|
| Atlantic Region | 1809 Barrington Street<br>Halifax, N.S. B3J 3A3<br>92 branches |

QUEBEC:

| | |
|---|---|
| Montreal Region<br>Quebec Region | 1155 Dorchester Blvd. West<br>Montreal, P.Q. H3C 3B2<br>216 branches |

ONTARIO:

| | |
|---|---|
| Ontario Central Region<br>Ontario Central East Region<br>Ontario Central West Region<br>Ontario Toronto City Region<br>Main Branch<br>Commerce Court | Commerce Court West<br>Toronto M5L 1A2 |
| Ontario East and North Region | 222 Queen Street<br>Ottawa, Ontario K1P 6C7 |
| Ontario Hamilton-Niagara Region | 1 James Street South<br>Hamilton, Ontario L8P 2E9 |
| Ontario South-West Region | 380 Wellington Street<br>London, Ontario N6A 4L6<br>770 branches |

MANITOBA:

| | |
|---|---|
| Manitoba Region | 375 Main Street<br>Winnipeg, Manitoba<br>R3C 2P3<br>88 branches |

SASKATCHEWAN:

| | |
|---|---|
| Saskatchewan Region | 1867 Hamilton Street<br>Regina, Saskatchewan<br>S4P 3G6<br>109 branches |

ALBERTA AND NORTHWEST TERRITORIES:

| | |
|---|---|
| Alberta South Region | 309-8th Ave. S.W.<br>Calgary, Alberta<br>T2P 2P2 |
| Alberta North and Northwest Territories Region | 9990 Jasper Ave.<br>Edmonton, Alberta<br>T5J 2K3<br>214 branches |

BRITISH COLUMBIA AND YUKON:

| | |
|---|---|
| Vancouver and Lower Mainland Region<br>Vancouver Island, Interior and Yukon Territory Region | 640 West Hastings Street<br>Vancouver, B.C. V6B 1P9<br>247 branches |

RSVILLE HALIBURTON HALTON HILLS HAMILTON HARRISTON HARROW HAWKESBURY HEA
TA KAPUSKASING KEMPTVILLE KENORA KESWICK KILLALOE KING CITY KINGSTON KINGSV
E BRITAIN LONDON LONGLAC MALTON MANITOUWADGE MANOTICK MAPLE MARKHAM MATH
T HOPE NAPANEE NEWCASTLE NEW HAMBURG NEW LISKEARD NEWMARKET NIAGARA FALLS
O OSHAWA OTTAWA OWEN SOUND PAINCOURT PALMERSTON PARIS PARKHILL PARRY SO
SVILLE PORT BURWELL PORT COLBORNE PORT ELGIN PORT HOPE PORT PERRY PORT R
ALE RIDGETOWN RIDGEWAY ST. CATHARINES ST. CLEMENTS ST. DAVIDS ST. THOMAS
LOOKOUT SMITHS FALLS SMITHVILLE SOMBRA SOUTHAMPTON SOUTH PORCUPINE STOUFF
TOCK TERRACE BAY THEDFORD THESSALON THUNDER BAY TILBURY TILLSONBURG TIMM
ACEBURG WATERLOO WELLAND WELLESLEY WHITBY WINDSOR WINGHAM WOODSTOCK WO
SH AMOS ARVIDA ASBESTOS AYLMER AYER'S CLIFF BAIE COMEAU BEAUHARNOIS B
EAUGUAY CENTRE CHIBOUGAMAU CHICOUTIMI CLARENCEVILLE COATICOOK COWANSVILLE
GHSBURG GAGNON GATINEAU GRANBY GRAND'MERE HAUTERIVE HAVRE ST-PIERRE HEMMIN
UDELOUPE LA SARRE LAVAL LEBEL-SUR-QUEVILLON LEVIS MAGOG MAISONNEUVE MA
TOWN PHILLIPSBURG PORT CARTIER QUEBEC RICHMOND RIMOUSKI ROCK ISLAN
RDINAND D'HALIFAX STE-FOY ST. GEORGE DE BEAUCE SAINT-HUBERT ST-HYACINTHE ST-JE
BROOKE SOREL SUTTON THETFORD MINES THURSO TRACY TROIS-RIVIERES VAL D'OR VAL
R BIG RIVER BIRCH HILLS BLAINE LAKE BROADVIEW CANORA CANWOOD CARLYLE CENTRAL
URN HUMBOLDT KELVINGTON KINCAID KINDERSLEY LAIRD LANDIS LANIGAN LARONGE LASH
OW LAKE MELFORT MEOTA MILESTONE MOOSE JAW MOSSBANK NAICAM NIPAWIN NORQUAY
HERN ROULEAU ST. WALBURG SASKATOON SHAUNAVON STOUGHTON SWIFT CURRENT TUR
OW GRASS YORKTON DAWSON WATSON LAKE WHITEHORSE ATLANTA CHICAGO BEAVERT
ORD CUPERTINO EL CAJON LAFAYETTE NEWPORT BEACH ORANGE PALO ALTO PLEASANT HI
H HARBOUR NASSAU POTTERS CAY BRIDGETOWN FONTABELLE WORTHING ST. JOHN'S GEOR
EN MONTEGO BAY OCHO RIOS PORT ANTONIO CHAGUANAS MARABELLA MARAVAL PORT O
O MILAN SYDNEY PARIS SÃO PAULO MANAMA SINGAPORE MEXICO AMSTERDAM ATHABA
PION COLEMAN CROSSFIELD DELIA DEVON DONALDA DRUMHELLER ECKVILLE EDMONTON
DON GRANDE CACHE GRANDE PRAIRIE GRIMSHAW HARDISTY HIGH LEVEL HIGH RIVER IN
RRAY MANNING MANNVILLE MAYERTHORPE MEDICINE HAT MILK RIVER MILLET MUNDARE
ATER ROCKYFORD ROCKY MOUNTAIN HOUSE ST. ALBERT ST. PAUL SANGUDO SMOKY LAK
EVILLE VERMILION VULCAN WARNER WASKATENAU WETASKIWIN WHITECOURT WILLING
S LAKE CAMPBELL RIVER CANAL FLATS CASTLEGAR CHASE CHEMAINUS CHETWYND CH
ON CREEK DELTA DUNCAN FERNIE FORT LANGLEY FORT NELSON FORT ST. JAMES FORT ST
Y HOPE HUDSON HOPE INVERMERE KAMLOOPS KELOWNA KEREMEOS KITIMAT LADYSMIT
DENVER NEW WESTMINSTER OCEAN FALLS OLIVER 100 MILE HOUSE OSOYOOS PARKSV
E GEORGE PRINCE RUPERT PRINCETON QUALICUM BEACH QUEEN CHARLOTTE CITY QUESN
IERS SOOKE SPARWOOD SQUAMISH STEWART SUMMERLAND SURREY TERRACE TOFINO
BANK WHITE ROCK WILLIAMS LAKE WINFIELD YARROW ALTONA ARBORG ASHERN BRANDO
FLON GILBERT PLAINS GILLAM GIMLI GRANDVIEW HOLLAND KENTON KILLARNEY LUNDAR LY
ONIFACE SELKIRK STEINBACH STONEWALL THE PAS THOMPSON TREHERNE VIRDEN WINKLER
CASTLE RIVERVIEW SAINT JOHN SALISBURY STANLEY ST. STEPHEN WOODSTOCK CARBONEAR
ADOR CITY LEWISPORTE ST. JOHN'S AKLAVIK FORT SIMPSON FORT SMITH HAY RIVER INUVIK
INGTON BRIDGEWATER DARTMOUTH DIGBY GLACE BAY GREENWOOD HALIFAX HANTSPORT
EY SYDNEY RIVER TRURO WINDSOR WOLFVILLE YARMOUTH AILSA CRAIG AJAX AMHERSTBU
IE BEAVERTON BELL'S CORNERS BELLE RIVER BELLEVILLE BINBROOK BIRCH CLIFF BLENH
ALEA BRAMPTON BRANTFORD BRECHIN BRESLAU BRIDGENORTH BRIGHTON BROCKVILLE
EOL CARLETON PLACE CAYUGA CHATHAM CHESLEY COBALT COBOCONK COBOURG COC
DEN DRYDEN DUBLIN DUNDALK DUNNVILLE DURHAM EAR FALLS ELLIOTT LAKE EMO ENGLE

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## To Our Shareholders:

Balance of revenue after income taxes for the six months ended April 30, 1978 amounted to $81.6 million, an increase of $22.9 million or 39% from the corresponding period of last year. Total assets at April 30, 1978 increased by 21% from a year earlier.

For the three months ended April 30, 1978, earnings of $39.2 million increased by $14.3 million or 57% from last year.

Earnings from domestic operations have improved sharply from the depressed levels of the first half of 1977. The improvement results from a higher level of assets and a partial recovery from the erosion of interest margins experienced last year, together with greater control of operating expenses and the completion of regional reorganizational programmes.

Both assets and earnings from international operations increased over last year, in spite of a lower demand for commercial loans and narrowing of interest margins. The decline in exchange value of the Canadian dollar has contributed to the increase in earnings, because profits earned in foreign currencies are now worth more when translated into Canadian dollars.

The gains in earnings achieved in the first half of 1978 are by comparison with a period of relatively depressed earnings in the corresponding period of last year, and a comparable rate of improvement should not be expected for the full year.

Since the close of the half-year under review shareholders have been offered rights to subscribe for additional shares at a price of $24 per share, on the basis of one share for each eight shares held at the close of business on May 12, 1978.

R. E. HARRISON
CHAIRMAN AND CHIEF EXECUTIVE OFFICER



CANADIAN IMPERIAL
BANK OF COMMERCE

HEAD OFFICE

COMMERCE COURT

TORONTO, CANADA

M5L 1A2

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CANADIAN IMPERIAL
BANK OF COMMERCE

# INTERIM REPORT

For the six months ended

April 30, 1978

CHAIRMAN
AND CHIEF EXECUTIVE OFFICER
R. E. HARRISON

PRESIDENT
AND CHIEF OPERATING OFFICER
R. D. FULLERTON

## STATEMENT OF REVENUE AND EXPENSES

(in thousands of dollars)

June 16, 1978

| | For the three months ended April 30 | | For the six months ended April 30 | |
|---|---|---|---|---|
| | 1978 | 1977 | 1978 | 1977 |
| **REVENUE** | | | | |
| Income from loans | $591,072 | $490,080 | $1,157,686 | $ 990,046 |
| Income from securities | 69,361 | 49,862 | 131,217 | 106,494 |
| Other operating revenue | 48,516 | 42,367 | 95,917 | 85,630 |
| Total revenue | 708,949 | 582,309 | 1,384,820 | 1,182,170 |
| **EXPENSES** | | | | |
| Interest on deposits and bank debentures | 440,430 | 356,077 | 852,903 | 723,436 |
| Salaries, pension contributions and other staff benefits | 118,052 | 105,883 | 227,370 | 206,425 |
| Property expenses, including depreciation | 30,713 | 26,317 | 60,382 | 51,390 |
| Other operating expenses, including provisions for losses on loans based on estimated five-year average loss experience (note) | 59,468 | 49,205 | 113,062 | 94,969 |
| Total expenses | 648,663 | 537,482 | 1,253,717 | 1,076,220 |
| Balance of revenue | 60,286 | 44,827 | 131,103 | 105,950 |
| Provision for income taxes relating thereto | 21,100 | 19,900 | 49,500 | 47,200 |
| Balance of revenue after taxes (note) | 39,186 | 24,927 | 81,603 | 58,750 |
| Per share | $1.12 | 72¢ | $2.34 | $1.69 |
| Dividends declared | 12,543 | 12,194 | 25,085 | 24,388 |
| Per share | 36¢ | 35¢ | 72¢ | 70¢ |

*NOTE:* In addition to the provision for losses included in other operating expenses, an appropriation is made out of earnings at each year-end to provide for losses not yet known which may be incurred on realization of existing loans, together with possible losses on securities and other assets. The amount of such appropriation has not been provided for in the interim financial statements and will be determined at the end of the year.

## BALANCE SHEET HIGHLIGHTS

(in millions of dollars)

| | As at April 30 | | |
|---|---|---|---|
| | 1978 | 1977 | % Increase |
| Total assets | $34,917 | $28,874 | 21 |
| Total loans | 21,389 | 18,047 | 19 |
| Deposits | | | |
| In Canadian dollars | 21,609 | 18,729 | 15 |
| In foreign currencies (Canadian dollar equivalent) | 10,364 | 7,708 | 34 |
| Total deposits | 31,973 | 26,437 | 21 |

The interim figures shown in this Statement are subject to year-end adjustment and audit.